GETTY REALTY CORP /MD/
Form 10-K
March 17, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

COMMISSION FILE NUMBER 001-13777

GETTY REALTY CORP.

(Exact name of registrant as specified in its charter)

Maryland	11-3412575
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification no.)
125 Jericho Turnpike, Suite 103, Jericho, New York	11753
(Address of principal executive offices)	(Zip Code)

Registrant s telephone number, including area code: (516) 478-5400

Securities registered pursuant to Section 12(b) of the Act:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Common Stock, $0.01 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No þ

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes o No þ

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. þ

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o	Accelerated filer þ	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ

The aggregate market value of common stock held by non-affiliates (17,352,547 shares of common stock) of the Company was $462,965,954 as of June 30, 2007.

The registrant had outstanding 24,765,615 shares of common stock as of March 17, 2008.

DOCUMENTS INCORPORATED BY REFERENCE

DOCUMENT	**PART OF FORM 10-K**
Selected Portions of Annual Report to Shareholders for the year ended December 31, 2007 (the Annual Report)	I and II
Selected Portions of Definitive Proxy Statement for the 2008 Annual Meeting of Stockholders (the Proxy Statement), which will be filed by the registrant on or prior to 120 days following the end of the registrant s year ended December 31, 2007 pursuant to Regulation 14A.	III

PART I

Item 1. Business

Recent Developments

A substantial portion of our revenues (76% for the three months ended December 31, 2007 and 78% for the year ended December 31, 2007) are derived from leases (the Marketing Leases) with our primary tenant, Getty Petroleum Marketing Inc. (Marketing). Accordingly, our revenues are dependent to a large degree on the economic performance of Marketing and of the petroleum marketing industry, and any factor that adversely affects Marketing, or our relationship with Marketing, may have a material adverse effect on us. Through March 2008, Marketing has made all required monthly rental payments under the Marketing Leases when due, although there is no assurance that it will continue to do so. Even though Marketing is wholly-owned by a subsidiary of OAO LUKoil (Lukoil), one of the largest integrated Russian oil companies, Lukoil is not a guarantor of the Marketing Leases and there can be no assurance that Lukoil will continue to provide credit enhancement or additional capital to Marketing in the future.

In accordance with generally accepted accounting principles (GAAP), the aggregate minimum rent due over the current terms of the Marketing Leases, substantially all of which are scheduled to expire in December 2015, is recognized on a straight-line basis rather than when the cash payment is due. We have recorded as deferred rent receivable on our consolidated balance sheet the cumulative difference between lease revenue recognized under this straight line accounting method and the lease revenue recognized when the payment is due under the contractual payment terms. We provide reserves for a portion of the recorded deferred rent receivable if circumstances indicate that a property may be disposed of before the end of the current lease term or if it is not reasonable to assume that a tenant will make all of its contractual lease payments when due during the current lease term. Our assessments and assumptions regarding the recoverability of the deferred rent receivable related to the properties subject to the Marketing Leases are reviewed on a quarterly basis and such assessments and assumptions are subject to change.

We have had periodic discussions with representatives of Marketing regarding potential modifications to the Marketing Leases and in the course of such discussions Marketing has proposed to (i) remove approximately 40% of the properties (the Subject Properties) from the Marketing Leases and eliminate payment of rent to us, and eliminate or reduce payment of operating expenses, with respect to the Subject Properties, and (ii) reduce the aggregate amount of rent payable to us for the approximately 60% of the properties that would remain under the Marketing Leases (the Remaining Properties). In light of these developments, and Marketing s financial performance, which continued to deteriorate in the fourth quarter and for the year ended December 31, 2007 (as discussed below), we intend to attempt to negotiate with Marketing for a modification of the Marketing Leases which removes the Subject Properties from the Marketing Leases. Following any such modification, we intend either to relet the Subject Properties or to sell the Subject Properties and reinvest the proceeds in new properties. Any such modification would likely significantly reduce the amount of rent we receive from Marketing and increase our operating expenses. We cannot accurately predict if or when the Marketing Leases will be modified or what the terms of any agreement may be if the Marketing Leases are modified. We also cannot accurately predict what actions Marketing and Lukoil may take, and what our recourse may be, whether the Marketing Leases are modified or not.

Representatives of Marketing have also indicated to us that they are considering significant changes to Marketing s business model. We intend to attempt to negotiate with Marketing for a modification of the Marketing Leases to remove the Subject Properties; however if Marketing ultimately determines that its business strategy is to exit all of the properties it leases from us or to divest a composition of properties different from the properties comprising the Subject Properties, it is our intention to cooperate with Marketing in accomplishing those objectives to the extent that is prudent for us to do so by seeking replacement tenants or buyers for the properties subject to the Marketing Leases, either individually, in groups of properties, or by seeking a single tenant for the entire portfolio of properties subject to the Marketing Leases. Although we are the fee or leasehold owner of the properties subject to the Marketing Leases and the owner of the Getty® brand and have prior experience with tenants who operate their gas stations, convenience stores, automotive repair services or other businesses at our properties, in the event that the Subject Properties or other properties are removed from the Marketing Leases, we cannot accurately predict if, when, or on what terms, such properties could be re-let or sold.

In February 2008 we received Marketing s unaudited financial statements for the year ended December 31, 2007 and became aware that the previously disclosed deterioration in Marketing s financial performance had continued to a point where, in conjunction with our intention to attempt to negotiate with Marketing for a modification of the Marketing Leases to remove the Subject Properties, we can no longer reasonably assume that we will collect all of the rent due to us related to the Subject Properties for the remainder of the current lease terms. In reaching this conclusion, we relied on various indicators, including, but not limited to, the following: (i) Marketing s significant operating losses, (ii) its negative cash flow from operating activities, (iii) its asset impairment charges for underperforming assets, and (iv) its negative earnings before interest, taxes, depreciation, amortization and rent payable to the Company. Based upon our assessments and assumptions, we believe that it is probable at this time that Lukoil would not allow Marketing to fail to perform its obligations under the Marketing Leases. Should our assessments and assumptions prove to be incorrect, the conclusions reached by the Company relating to (i) recoverability of the deferred rent receivable for the Remaining Properties and (ii) Marketing s ability to pay its environmental liabilities (as discussed below) would likely change.

Based upon our belief that Marketing desires to have the Subject Properties removed from the Marketing Leases, and our intention to attempt to negotiate a modification of the Marketing Leases to such end, we believe that Marketing will not make all contractual lease payments when due for the entire current term of the Marketing Leases with respect to the Subject Properties. Accordingly, we have reserved approximately $10.5 million of the deferred rent receivable recorded as of December 31, 2007, which is the full amount of the deferred rent receivable related to the Subject Properties. This non-cash reserve has been reflected in our results of operations for the fourth quarter and year ended December 31, 2007 based on information that became available to us from Marketing after we announced our results of operations for those periods. Providing this $10.5 million reserve reduces our net earnings and our funds from operations but does not impact our cash flow from operating activities or adjusted funds from operations since the impact of the straight-line method of accounting is not included in our determination of adjusted funds from operations. For additional information regarding funds from operations and adjusted funds from operations, which are non-GAAP measures, see General Supplemental Non-GAAP Measures in Management s Discussion and Analysis of Financial Condition and Results of Operations and Selected Financial Data both of which appear in our Annual Report to Shareholders filed as exhibit 13 to this Annual Report on Form 10-K and are incorporated by reference herein. While we believe it is no longer reasonable to assume that Marketing will make all contractual lease payments when due for the entire current term of the Marketing Leases with respect to the Subject Properties, after considering Marketing s financial condition, our intention to negotiate a modification of the Marketing Leases, and certain other factors, including but not limited to those described above, we continue to believe that it is probable that we will collect the deferred rent receivable recorded as of December 31, 2007 related to the Remaining Properties. In addition, based upon our evaluation of the carrying value of the Subject Properties, we believe that no impairment adjustment is necessary for the Subject Properties as of December 31, 2007 pursuant to the provisions of Statement of Financial Accounting Standards No. 144. We intend to regularly review our assumptions that affect the accounting for rental revenue related to the Remaining Properties subject to the Marketing Leases and our assumptions regarding potential impairment of the Subject Properties and, if appropriate, to consider adjusting our reserves. Beginning in the first quarter of 2008, we anticipate that the rental revenue for the Remaining Properties will continue to be recognized on a straight-line basis and the rental revenue for the Subject Properties will be recognized when paid under the contractual payment terms.

As the operator of our properties under the Marketing Leases, Marketing is directly responsible to pay for the remediation of environmental contamination it causes and to comply with various environmental laws and regulations. In addition, the Marketing Leases and various other agreements between Marketing and us allocate responsibility for known and unknown environmental liabilities between Marketing and us relating to the properties subject to the Marketing Leases. Based on various factors, including our assessments and assumptions at this time that Lukoil would not allow Marketing to fail to perform its obligations under the Marketing Leases, we believe that Marketing will continue to pay for substantially all environmental contamination and remediation costs allocated to it under the Marketing Leases. It is possible that our assumptions regarding the ultimate allocation methods and share of responsibility that we used to allocate environmental liabilities may change as a result of the factors discussed above, or otherwise, which may result in adjustments to the amounts recorded for environmental litigation accruals, environmental remediation liabilities and related assets. We may ultimately be responsible to directly pay for environmental liabilities as the property owner if Marketing fails to pay them. We are required to accrue for environmental liabilities that we believe are allocable to Marketing under the Marketing Leases and various other agreements if we determine that it is probable that Marketing will not pay its environmental obligations.

Based upon our assessment of Marketing s financial condition and certain other factors, including but not limited to those described above, we believe at this time that it is not probable that Marketing will not pay the environmental liabilities allocable to it under the Marketing Leases and various other agreements and, therefore, have not accrued for such environmental liabilities. Our assessments and assumptions that affect the recording of environmental liabilities related to the properties subject to the Marketing Leases are reviewed on a quarterly basis and such assessments and assumptions are subject to change.

We cannot provide any assurance that Marketing will continue to pay its debts or meet its rental, environmental or other obligations under the Marketing Leases prior or subsequent to any potential modification to the Marketing Leases discussed above. Additionally, we may be required to (i) reserve additional amounts of the deferred rent receivable at a later time, (ii) accrue for environmental liabilities that we believe are allocable to Marketing under the Marketing Leases and various other agreements, or (iii) record an impairment charge related to the Subject Properties as a result of the proposed modification of the Marketing Leases. In the event that Marketing cannot or will not perform its rental, environmental or other obligations under the Marketing Leases; if the Marketing Leases are modified significantly or terminated; if we determine that it is probable that Marketing will not meet its environmental obligations and we accrue for such liabilities; if we are unable to relet or sell the properties subject to the Marketing Leases; or if we change our assumptions that affect the accounting for rental revenue or environmental liabilities related to the Marketing Leases; our business, financial condition, revenues, operating expenses, results of operations, liquidity, ability to pay dividends and stock price may be materially adversely affected.

For additional information regarding factors that could adversely affect us relating to Marketing, see Part I, Item 1A. Risk Factors in this Annual Report on Form 10-K.

Overview

Getty Realty Corp., a Maryland corporation, is the largest publicly-traded real estate investment trust (REIT) in the United States specializing in the ownership and leasing of retail motor fuel and convenience store properties and petroleum distribution terminals. As of December 31, 2007, we owned eight hundred eighty properties and leased two hundred three additional properties. Our properties are located primarily in the Northeast and the Mid-Atlantic regions in the United States. The Company also owns or leases properties in Texas, North Carolina, Hawaii, California, Florida, Arkansas, Illinois and North Dakota.

Nearly all of our properties are leased or sublet to distributors and retailers engaged in the sale of gasoline and other motor fuel products, convenience store products and automotive repair services who are responsible for the payment of taxes, maintenance, repair, insurance and other operating expenses and for managing the actual operations conducted at these properties. As of December 31, 2007, we leased approximately 81% of our owned and leased properties on a long-term basis to Marketing. Marketing is wholly-owned by a subsidiary of Lukoil, one of the largest integrated Russian oil companies. Marketing operates the petroleum distribution terminals but typically does not itself directly operate the retail motor fuel and convenience store properties it leases from us. Rather, Marketing subleases nearly all of our retail properties to distributors and retailers who are responsible for the actual operations at the locations and operate their convenience stores, automotive repair services or other businesses at our properties.

We are self-administered and self-managed by our experienced management team, which has over ninety-four years of combined experience in owning, leasing and managing retail motor fuel and convenience store properties. Our executive officers are engaged exclusively in the day-to-day business of the Company. We administer nearly all management functions for our properties, including leasing, legal, data processing, finance and accounting. We have invested, and will continue to invest, in real estate and real estate related investments, such as mortgage loans, when appropriate opportunities arise.

The History of Our Company

Our founders started the business in 1955 with the ownership of one gasoline service station in New York City and combined real estate ownership, leasing and management with actual service station operation and petroleum distribution. We held our initial public offering in 1971 under the name Power Test Corp. We acquired, from Texaco in 1985, the petroleum distribution and marketing assets of Getty Oil Company in the Northeast United States along with the Getty® name and trademark in connection with our real estate and the petroleum marketing business in the United States. We became one of the largest independent owner/operators of petroleum marketing assets in the country, serving retail and wholesale customers through a distribution and marketing network of Getty® and other branded retail motor fuel and convenience store properties and petroleum distribution terminals.

Marketing was formed to facilitate the spin-off of our petroleum marketing business to our shareholders which was completed in 1997 (the Spin-Off). At that time, our shareholders received a tax-free dividend of one share of common stock of Marketing for each share of our common stock. Following the Spin-Off, Marketing held the assets and liabilities of our petroleum marketing operations and a portion of our home heating oil business, and we continued operating primarily as a real estate company specializing in the ownership and leasing of retail motor fuel and convenience store properties and petroleum distribution terminals. In 1998, we acquired Power Test Investors Limited Partnership (the Partnership), thereby acquiring fee title to two hundred ninety-five properties we had previously leased from the Partnership and which the Partnership had acquired from Texaco in 1985. We later sold the remaining portion of our home heating oil business. As a result, we are now exclusively engaged in the ownership, leasing and management of real estate assets, principally in the petroleum marketing industry.

In December 2000, Marketing was acquired by a U.S. subsidiary of Lukoil. In connection with Lukoil s acquisition of Marketing, we renegotiated our long-term unitary Master Lease with Marketing. As of December 31, 2007, Marketing leased from us eight hundred eighty properties under the Master Lease and ten properties under supplemental leases (collectively referred to as the Marketing Leases). Eight hundred eighty-one of the properties leased to Marketing are retail motor fuel and convenience store properties and nine of the properties are petroleum distribution terminals. Seven hundred and fourteen of the properties leased to Marketing are owned by us and one hundred seventy-six of the properties are leased by us from third parties. The Master Lease has an initial term expiring in December 2015, and generally provides Marketing with three renewal options of ten years each and a final renewal option of three years and ten months extending to 2049. For information regarding Marketing and the Marketing Leases, see Part 1. Item 1. Business Recent Developments above. Each of the renewal options may be exercised only on an all or nothing basis. The supplemental leases have initial terms of varying expiration dates. The Marketing Leases are triple-net leases, pursuant to which Marketing is responsible for the payment of taxes, maintenance, repair, insurance and other operating expenses. We have licensed the Getty® trademarks to Marketing on an exclusive basis in its marketing territory as of December 2000. We have also licensed the trademarks to Marketing on a non-exclusive basis outside that territory, subject to a gallonage-based royalty, although to date, Marketing has not used the trademark outside that territory.

We elected to be treated as a REIT under the federal income tax laws beginning January 1, 2001. A REIT is a corporation, or a business trust that would otherwise be taxed as a corporation, which meets certain requirements of the Internal Revenue Code. The Internal Revenue Code permits a qualifying REIT to deduct dividends paid, thereby effectively eliminating corporate level federal income tax and making the REIT a pass-through vehicle for federal income tax purposes. To meet the applicable requirements of the Internal Revenue Code, a REIT must, among other things, invest substantially all of its assets in interests in real estate (including mortgages and other REITs) or cash and government securities, derive most of its income from rents from real property or interest on loans secured by mortgages on real property, and distribute to shareholders annually a substantial portion of its otherwise taxable income. As a REIT, we are required to distribute at least ninety percent of our taxable income to our shareholders each year and would be subject to corporate level federal income taxes on any taxable income that is not distributed.

Real Estate Business

The operators of our properties are primarily distributors and retailers engaged in the sale of gasoline and other motor fuel products, convenience store products and automotive repair services. Over the past decade, these lines of business have matured into a single industry as operators increased their emphasis on co-branded locations with multiple uses. The combination of petroleum product sales with other offerings, particularly convenience store products, has helped provide one-stop shopping for consumers and we believe represents a driving force behind the industry s growth in recent years.

Revenues from rental properties for the year ended December 31, 2007 were $78.5 million which is comprised of $75.0 million of lease payments received and $3.4 million of deferred rental income recognized due to the straight-line method of accounting for the leases with Marketing and certain of our other tenants and amortization of above-market and below-market rent for acquired in-place leases. In 2007, we received lease payments from Marketing aggregating approximately $60.0 million (or 80%) of the $75.0 million lease payments received. We are materially dependent upon the ability of Marketing to meet its rental, environmental and other obligations under the Marketing Leases. Marketing s financial results depend largely on retail petroleum marketing margins and rental income from subtenants who operate our properties. The petroleum marketing industry has been and continues to be volatile and highly competitive. Marketing has made all required monthly rental payments under the Marketing Leases when due, although there is no assurance that it will continue to do so. For information regarding Marketing and the Marketing Leases, see Part 1. Item 1. Business Recent Developments above. You can find more information about our revenues, profits and assets by referring to the financial statements and supplemental financial information in our Annual Report to Shareholders.

As of December 31, 2007, we owned fee title to eight hundred seventy-one retail motor fuel and convenience store properties and nine petroleum distribution terminals. We also leased two hundred three retail motor fuel and convenience store properties. Our typical property is used as a retail motor fuel and/or convenience store, and is located on between one-half and three quarters of an acre of land in a metropolitan area. Our properties are located primarily in the Northeast and the Mid-Atlantic regions in the United States. The Company also owns or leases properties in Texas, North Carolina, Hawaii, California, Florida, Arkansas, Illinois and North Dakota. Approximately one-half of our retail motor fuel properties have repair bays (typically two or three bays per station) and nearly half have convenience stores, canopies or both. We lease four thousand square feet of office space at 125 Jericho Turnpike, Jericho, New York, which is used for our corporate headquarters.

We believe our network of retail motor fuel and convenience store properties and terminal properties across the Northeast and the Mid-Atlantic regions of the United States is unique and that comparable networks of properties are not readily available for purchase or lease from other owners or landlords. Many of our properties are located at highly trafficked urban intersections or conveniently close to highway entrance and exit ramps. Furthermore, we believe that obtaining the permits necessary to operate a network of petroleum marketing properties such as ours would be a difficult, time consuming and costly process for any potential competitor. However, the real estate industry is highly competitive, and we compete for tenants with a large number of property owners. Our principal means of competition are rents charged in relation to the income producing potential of the location. In addition, we expect other major real estate investors with significant capital will compete with us for attractive acquisition opportunities. These competitors include petroleum manufacturing, distributing and marketing companies, other REITs, investment banking firms and private institutional investors. This competition has increased prices for commercial properties and may impair our ability to make suitable property acquisitions on favorable terms in the future.

As part of our overall growth strategy we regularly review opportunities to acquire additional properties and we expect to continue to pursue acquisitions that we believe will benefit our financial performance. To the extent that our current sources of liquidity are not sufficient to fund such acquisitions we will require other sources of capital, which may or may not be available on favorable terms or at all.

Trademarks

We own the Getty® name and trademark in connection with our real estate and the petroleum marketing business in the United States and have licensed the Getty® trademarks to Marketing on an exclusive basis in its marketing territory as of December 2000. We have also licensed the trademarks to Marketing on a non-exclusive basis outside that territory, subject to a gallonage-based royalty, although to date, Marketing has not used the trademark outside that territory. The trademark licenses with Marketing are coterminous with the Master Lease.

Regulation

We are subject to numerous existing federal, state and local laws and regulations including matters related to the protection of the environment such as the remediation of known contamination and the retirement and decommissioning or removal of long-lived assets including buildings containing hazardous materials, underground storage tanks (UST or USTs) and other equipment. The Marketing Leases and various other agreements between Marketing and us allocate responsibility for known and unknown environmental liabilities between Marketing and us relating to the properties subject to the Marketing Leases. It is possible that our assumptions regarding the ultimate allocation methods and share of responsibility that we used to allocate environmental liabilities with respect to the properties subject to the Marketing Leases may change, which may result in adjustments to the amounts recorded for environmental litigation accruals, environmental remediation liabilities and related assets. The ultimate resolution of these matters could have a material adverse effect on our business, financial condition, results of operations, liquidity, ability to pay dividends and stock price.

Petroleum properties are governed by numerous federal, state and local environmental laws and regulations. These laws have included: (i) requirements to report to governmental authorities discharges of petroleum products into the environment and, under certain circumstances, to remediate the soil and/or groundwater contamination pursuant to governmental order and directive, (ii) requirements to remove and replace USTs that have exceeded governmental-mandated age limitations and (iii) the requirement to provide a certificate of financial responsibility with respect to claims relating to UST failures.

Environmental expenses are principally attributable to remediation costs which include installing, operating, maintaining and decommissioning remediation systems, monitoring contamination, and governmental agency reporting incurred in connection with contaminated properties. In accordance with leases with certain tenants, we have agreed to bring the leased properties with known environmental contamination to within applicable standards and to regulatory or contractual closure (Closure) in an efficient and economical manner. Generally, upon achieving Closure at an individual property, our environmental liability under the lease for that property will be satisfied and future remediation obligations will be the responsibility of our tenant.

We have agreed to pay all costs relating to, and to indemnify Marketing for, certain environmental liabilities and obligations that are scheduled in the Master Lease. We will continue to seek reimbursement from state UST remediation funds related to these environmental expenditures where available. As of December 31, 2007, we have regulatory approval for remediation action plans in place for two hundred sixty-three (93%) of the two hundred eighty-two properties for which we continue to retain remediation responsibility and the remaining nineteen properties (7%) were in the assessment phase. In addition, we have nominal post-closure compliance obligations at 28 properties where we have received no further action letters.

For additional information please refer to Recent Developments, above and to Liquidity and Capital Resources, Environmental Matters and Contractual Obligations in Management s Discussion and Analysis of Financial Condition and Results of Operations.

We believe that we are in substantial compliance with federal, state and local provisions enacted or adopted pertaining to environmental matters. Although we are unable to predict what legislation or regulations may be adopted in the future with respect to environmental protection and waste disposal, existing legislation and regulations have had no material adverse effect on our competitive position. See Item 3. Legal Proceedings.

Personnel

As of February 1, 2008, we had sixteen employees. Effective February 1, 2008, Joshua Dicker joined the Company as its General Counsel and Corporate Secretary. Mr. Dicker will be responsible for directing the overall legal activities of the Company.

Access to our filings with the Securities and Exchange Commission and Corporate Governance Documents

Our website address is www.gettyrealty.com. Our address, phone number and a list of our officers is available on our website. Our website contains a hyperlink to the EDGAR database of the SEC at www.sec.gov where you can access, free-of-charge, our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and all amendments to these reports as soon as reasonably practicable after such reports are filed. Our website also contains our business conduct guidelines, corporate governance guidelines and the charters of the Compensation, Nominating/Corporate Governance and Audit Committees of our Board of Directors. We also will provide copies of these reports and corporate governance documents free-of-charge upon request, addressed to Getty Realty Corp., 125 Jericho Turnpike, Suite 103, Jericho, NY 11753, Attn: Investor Relations. Information available on or accessible through our website shall not be deemed to be a part of this Annual Report on Form 10-K. You may read and copy any materials that we file with the SEC at the SEC s Public Reference Room at 100 F Street, N.E., Washington, DC 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

Special Factors Regarding Forward-Looking Statements

Certain statements in this Annual Report on Form 10-K may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. When we use the words believes, expects, plans, projects, estimates, predicts and similar expressions, we intend to identify forward-looking statements. Examples of forward-looking statements include statements regarding recent developments related to Marketing and the Marketing Leases; the impact of any modification or termination of the Marketing Leases on our business and ability to pay dividends or our stock price; our belief that Lukoil would not allow Marketing to fail to perform its obligations under the Marketing Leases; Marketing in the future; our ability to predict if or when the Marketing Leases will be modified or terminated, the terms of any such modification or termination or what actions Marketing and Lukoil will take and what our recourse will be whether the Marketing Leases are modified or terminated or not; the expected effect of regulations on our long-term performance; our expected ability to maintain compliance with applicable regulations; our ability to renew expired leases; the adequacy of our current and anticipated cash flows; our ability to relet properties at market rents; our belief that we do not have a material liability for offers and sales of our securities made pursuant to registration statements that did not contain the financial statements or summarized financial data of Marketing; our expectations regarding future acquisitions; our expected ability to increase our available funding under the Credit Agreement; our ability to maintain our REIT status; the probable outcome of litigation or regulatory actions; our expected recoveries from UST funds; our exposure to environmental remediation costs; our estimates regarding remediation costs; our expectations as to the long-term effect of environmental liabilities on our financial condition; our exposure to interest rate fluctuations and the manner in which we expect to manage this exposure; the expected reduction in interest-rate risk resulting from our interest-rate swap agreement and our expectation that we will not settle the interest-rate swap prior to its maturity; the expectation that the Credit Agreement will be refinanced with variable interest-rate debt at its maturity; our expectations regarding corporate level federal income taxes; the indemnification obligations of the Company and others; our intention to consummate future acquisitions; our assessment of the likelihood of future competition; assumptions regarding the future applicability of accounting estimates, assumptions and policies; our intention to pay future dividends and the amounts thereof; and our beliefs about the reasonableness of our accounting estimates, judgments and assumptions.

These forward-looking statements are based on our current beliefs and assumptions and information currently available to us, and involve known and unknown risks (including the risks described below in Part I, Item 1A. Risk Factors and other risks that we describe from time to time in our SEC filings), uncertainties and other factors which may cause our actual results, performance and achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. You should not place undue reliance on forward-looking statements, which reflect our view only as of the date hereof. We undertake no obligation to publicly release revisions to these forward-looking statements that reflect future events or circumstances or reflect the occurrence of unanticipated events.

Item 1A. Risk Factors

We are subject to various risks, many of which are beyond our control. As a result of these and other factors, we may experience material fluctuations in our future operating results on a quarterly or annual basis, which could materially and adversely affect our business, financial condition, results of operations liquidity, ability to pay dividends and stock price. An investment in our stock involves various risks, including those mentioned below and elsewhere this Annual Report on Form 10-K and those that are detailed from time to time in our other filings with the SEC.

We are subject to risks inherent in owning and leasing real estate.

We are subject to varying degrees of risk generally related to leasing and owning real estate many of which are beyond our control. In addition to general risks related to owning properties used in the petroleum marketing industry, our risks include, among others:

our liability as a lessee for long-term lease obligations regardless of our revenues,

deterioration in national, regional and local economic and real estate market conditions,

potential changes in supply of, or demand for, rental properties similar to ours,

competition for tenants and changes in rental rates,

difficulty in reletting properties on favorable terms or at all,

impairments in our ability to collect rent payments when due,

increases in interest rates and adverse changes in the availability, cost and terms of financing,

the potential for uninsured casualty and other losses,

the impact of present or future environmental legislation and compliance with environmental laws,

adverse changes in zoning laws and other regulations, and

acts of terrorism and war.

Each of these factors could cause a material adverse effect on our business, financial condition, results of operations, liquidity, ability to pay dividends and stock price. In addition, real estate investments are relatively illiquid, which means that our ability to vary our portfolio of properties in response to changes in economic and other conditions may be limited.

Because our revenues are primarily dependent on the performance of Getty Petroleum Marketing Inc., our primary tenant, in the event that Marketing cannot or will not perform its rental, environmental and other obligations under the Marketing Leases, or if the Marketing Leases are modified significantly or terminated, or if it becomes probable that Marketing will not pay its environmental obligations, or if we change our assumptions for rental revenue or environmental liabilities related to the Marketing Leases, our business, financial condition, revenues, operating expenses, results of operations, liquidity, ability to pay dividends and stock price could be materially adversely affected. No assurance can be given that Marketing will have the ability to pay its debts or meet its rental, environmental or other obligations under the Marketing Leases.

Marketing s earnings and cash flow from operations depend largely upon the sale of refined petroleum products at margins in excess of its fixed and variable expenses and rental income from its subtenants. The petroleum marketing industry has been, and continues to be, volatile and highly competitive. A large, rapid increase in wholesale petroleum prices would adversely affect Marketing s profitability and cash flow if the increased cost of petroleum products could not be passed on to Marketing s customers or if the consumption of gasoline for automotive use were to decline significantly. Petroleum products are commodities, the prices of which depend on numerous factors that affect supply and demand. The prices paid by Marketing and other petroleum marketers for products are affected by global, national and regional factors. We cannot accurately predict how these factors will affect petroleum product prices or supply in the future, or how in particular they will affect Marketing or our other tenants.

A substantial portion of our revenues (76% for the three months ended December 31, 2007 and 78% for the year ended December 31, 2007) are derived from Marketing Leases with Marketing. Accordingly, our revenues are dependent to a large degree on the economic performance of Marketing and of the petroleum marketing industry, and any factor that adversely affects Marketing, or our relationship with Marketing, may have a material adverse effect on us. Through March 2008, Marketing has made all required monthly rental payments under the Marketing Leases when due, although there is no assurance that it will continue to do so. Even though Marketing is wholly-owned by a subsidiary of LUKoil, one of the largest integrated Russian oil companies, Lukoil is not a guarantor of the Marketing Leases and there can be no assurance that Lukoil will continue to provide credit enhancement or additional capital to Marketing in the future.

In accordance with GAAP, the aggregate minimum rent due over the current terms of the Marketing Leases, substantially all of which are scheduled to expire in December 2015, is recognized on a straight-line basis rather than when the cash payment is due. We have recorded as deferred rent receivable on our consolidated balance sheet the cumulative difference between lease revenue recognized under this straight line accounting method and the lease revenue recognized when the payment is due under the contractual payment terms. We provide reserves for a portion of the recorded deferred rent receivable if circumstances indicate that a property may be disposed of before the end of the current lease term or if it is not reasonable to assume that a tenant will make all of its contractual lease payments when due during the current lease term. Our assessments and assumptions regarding the recoverability of the deferred rent receivable related to the properties subject to the Marketing Leases are reviewed on a quarterly basis and such assessments and assumptions are subject to change.

We have had periodic discussions with representatives of Marketing regarding potential modifications to the Marketing Leases and in the course of such discussions Marketing has proposed to (i) remove the Subject Properties from the Marketing Leases and eliminate payment of rent to us, and eliminate or reduce payment of operating expenses, with respect to the Subject Properties, and (ii) reduce the aggregate amount of rent payable to us for the Remaining Properties. In light of these developments, and Marketing s financial performance, which continued to deteriorate in the fourth quarter and for the year ended December 31, 2007 (as discussed below), we intend to attempt to negotiate with Marketing for a modification of the Marketing Leases which removes the Subject Properties from the Marketing Leases. Following any such modification, we intend either to relet the Subject Properties or to sell the Subject Properties and reinvest the proceeds in new properties. Any such modification would likely significantly reduce the amount of rent we receive from Marketing and increase our operating expenses. We cannot accurately predict if or when the Marketing Leases will be modified or what the terms of any agreement may be if the Marketing Leases are modified. We also cannot accurately predict what actions Marketing and Lukoil may take, and what our recourse may be, whether the Marketing Leases are modified or not.

Representatives of Marketing have also indicated to us that they are considering significant changes to Marketing s business model. We intend to attempt to negotiate with Marketing for a modification of the Marketing Leases to remove the Subject Properties; however if Marketing ultimately determines that its business strategy is to exit all of the properties it leases from us or to divest a composition of properties different from the properties comprising the Subject Properties, it is our intention to cooperate with Marketing in accomplishing those objectives to the extent that is prudent for us to do so by seeking replacement tenants or buyers for the properties subject to the Marketing Leases, either individually, in groups of properties, or by seeking a single tenant for the entire portfolio of properties subject to the Marketing Leases. Although we are the fee or leasehold owner of the properties subject to the Marketing Leases and the owner of the Getty® brand and have prior experience with tenants who operate their gas stations, convenience stores, automotive repair services or other businesses at our properties, in the event that the Subject Properties or other properties are removed from the Marketing Leases, we cannot accurately predict if, when, or on what terms, such properties could be re-let or sold.

In February 2008 we received Marketing s unaudited financial statements for the year ended December 31, 2007 and became aware that the previously disclosed deterioration in Marketing s financial performance had continued to a point where, in conjunction with our intention to attempt to negotiate with Marketing for a modification of the Marketing Leases to remove the Subject Properties, we can no longer reasonably assume that we will collect all of the rent due to us related to the Subject Properties for the remainder of the current lease terms. In reaching this conclusion, we relied on various indicators, including, but not limited to, the following: (i) Marketing s significant operating losses, (ii) its negative cash flow from operating activities, (iii) its asset impairment charges for underperforming assets, and (iv) its negative earnings before interest, taxes, depreciation, amortization and rent payable to the Company. Based upon our assessments and assumptions, we believe that it is probable at this time that Lukoil would not allow Marketing to fail to perform its obligations under the Marketing Leases. Should our assessments and assumptions prove to be incorrect, the conclusions reached by the Company relating to

(i) recoverability of the deferred rent receivable for the Remaining Properties and (ii) Marketing s ability to pay its environmental liabilities (as discussed below) would likely change.

Based upon our belief that Marketing desires to have the Subject Properties removed from the Marketing Leases, and our intention to attempt to negotiate a modification of the Marketing Leases to such end, we believe that Marketing will not make all contractual lease payments when due for the entire current term of the Marketing Leases with respect to the Subject Properties. Accordingly, we have reserved approximately $10.5 million of the deferred rent receivable recorded as of December 31, 2007, which is the full amount of the deferred rent receivable related to the Subject Properties. This non-cash reserve has been reflected in our results of operations for the fourth quarter and year ended December 31, 2007 based on information that became available to us from Marketing after we announced our results of operations for those periods. Providing this $10.5 million reserve reduces our net earnings and our funds from operations but does not impact our cash flow from operating activities or adjusted funds from operations since the impact of the straight-line method of accounting is not included in our determination of adjusted funds from operations. For additional information regarding funds from operations and adjusted funds from operations, which are non-GAAP measures, see General Supplemental Non-GAAP Measures in Management s Discussion and Analysis of Financial Condition and Results of Operations and Selected Financial Data both of which appear in our Annual Report to Shareholders filed as exhibit 13 to this Annual Report on Form 10-K and are incorporated by reference herein. While we believe it is no longer reasonable to assume that Marketing will make all contractual lease payments when due for the entire current term of the Marketing Leases with respect to the Subject Properties, after considering Marketing s financial condition, our intention to negotiate a modification of the Marketing Leases, and certain other factors, including but not limited to those described above, we continue to believe that it is probable that we will collect the deferred rent receivable recorded as of December 31, 2007 related to the Remaining Properties. In addition, based upon our evaluation of the carrying value of the Subject Properties, we believe that no impairment adjustment is necessary for the Subject Properties as of December 31, 2007 pursuant to the provisions of Statement of Financial Accounting Standards No. 144. We intend to regularly review our assumptions that affect the accounting for rental revenue related to the Remaining Properties subject to the Marketing Leases and our assumptions regarding potential impairment of the Subject Properties and, if appropriate, to consider adjusting our reserves. Beginning in the first quarter of 2008, we anticipate that the rental revenue for the Remaining Properties will continue to be recognized on a straight-line basis and the rental revenue for the Subject Properties will be recognized when paid under the contractual payment terms.

As the operator of our properties under the Marketing Leases, Marketing is directly responsible to pay for the remediation of environmental contamination it causes and to comply with various environmental laws and regulations. In addition, the Marketing Leases and various other agreements between Marketing and us allocate responsibility for known and unknown environmental liabilities between Marketing and us relating to the properties subject to the Marketing Leases. Based on various factors, including our assessments and assumptions at this time that Lukoil would not allow Marketing to fail to perform its obligations under the Marketing Leases, we believe that Marketing will continue to pay for substantially all environmental contamination and remediation costs allocated to it under the Marketing Leases. It is possible that our assumptions regarding the ultimate allocation methods and share of responsibility that we used to allocate environmental liabilities may change as a result of the factors discussed above, or otherwise, which may result in adjustments to the amounts recorded for environmental litigation accruals, environmental remediation liabilities and related assets. We may ultimately be responsible to directly pay for environmental liabilities as the property owner if Marketing fails to pay them. We are required to accrue for environmental liabilities that we believe are allocable to Marketing under the Marketing Leases and various other agreements if we determine that it is probable that Marketing will not pay its environmental obligations.

Based upon our assessment of Marketing s financial condition and certain other factors, including but not limited to those described above, we believe at this time that it is not probable that Marketing will not pay the environmental liabilities allocable to it under the Marketing Leases and various other agreements and, therefore, have not accrued for such environmental liabilities. Our assessments and assumptions that affect the recording of environmental liabilities related to the properties subject to the Marketing Leases are reviewed on a quarterly basis and such assessments and assumptions are subject to change.

We cannot provide any assurance that Marketing will continue to pay its debts or meet its rental, environmental or other obligations under the Marketing Leases prior or subsequent to any potential modification to the Marketing Leases discussed above. Additionally, we may be required to (i) reserve additional amounts of the deferred rent receivable at a later time, (ii) accrue for environmental liabilities that we believe are allocable to Marketing under the Marketing Leases and various other agreements, or (iii) record an impairment charge related to the Subject Properties as a result of the proposed modification of the Marketing Leases. In the event that Marketing cannot or will not perform its rental, environmental or other obligations under the Marketing Leases; if the Marketing Leases are modified significantly or terminated; if we determine that it is probable that Marketing will not meet its environmental obligations and we accrue for such liabilities; if we are unable to relet or sell the properties subject to the Marketing Leases; or if we change our assumptions that affect the accounting for rental revenue or environmental liabilities related to the Marketing Leases; our business, financial condition, revenues, operating expenses, results of operations, liquidity, ability to pay dividends and stock price may be materially adversely affected.

For additional information regarding factors that could adversely affect us relating to Marketing, see Part I, Item 1A. Risk Factors in this Annual Report on Form 10-K.

In 2004, we received a comment letter from the SEC that contains one comment that remains unresolved.

One comment remains unresolved as part of a periodic review commenced in 2004 by the Division of Corporation Finance of the SEC of our Annual Report on Form 10-K for the year ended December 31, 2003 pertaining to the SEC s position that we must include the financial statements and summarized financial data of Marketing in our periodic filings, which Marketing contends is prohibited by the terms of the Master Lease. In June 2005, the SEC indicated that, unless we file Marketing s financial statements and summarized financial data with our periodic reports: (i) it will not consider our Annual Reports on Forms 10-K for the years beginning with fiscal 2000 to be compliant; (ii) it will not consider us to be current in our reporting requirements; (iii) it will not be in a position to declare effective any registration statements we may file for public offerings of our securities; and (iv) we should consider how the SEC s conclusion impacts our ability to make offers and sales of our securities under existing registration statements and if we have a liability for such offers and sales made pursuant to registration statements that did not contain the financial statements of Marketing. We have had no communication with the SEC since 2005. We cannot accurately predict the consequences if we are ultimately unable to resolve this outstanding comment.

Substantially all of our tenants depend on the same industry for their revenues.

We derive substantially all of our revenues from leasing, primarily on a triple-net basis, retail motor fuel and convenience store properties and petroleum distribution terminals to tenants in the petroleum marketing industry. Accordingly, our revenues will be dependent on the economic success of the petroleum marketing industry, and any factors that adversely affect that industry could also have a material adverse effect on our business, financial condition and results of operations liquidity, ability to pay dividends and stock price. The success of participants in that industry depends upon the sale of refined petroleum products at margins in excess of fixed and variable expenses. A large, rapid increase in wholesale petroleum prices would adversely affect the profitability and cash flows of Marketing and our other tenants if the increased cost of petroleum products could not be passed on to their customers or if automobile consumption of gasoline were to decline significantly. Petroleum products are commodities, the prices of which depend on numerous factors that affect the supply of and demand for petroleum products. The prices paid by Marketing and other petroleum marketers for products are affected by global, national and regional factors. We cannot be certain how these factors will affect petroleum product prices or supply in the future, or how in particular they will affect Marketing or our other tenants.

Property taxes on our properties may increase without notice.

Each of the properties we own or lease is subject to real property taxes. The leases for certain of the properties that we lease from third parties obligate us to pay real property taxes with regard to those properties. The real property taxes on our properties and any other properties that we develop, acquire or lease in the future may increase as property tax rates change and as those properties are assessed or reassessed by tax authorities. To the extent that our tenants are unable or unwilling to pay such increase in accordance with their leases, our net operating expenses may increase.

We have incurred, and may continue to incur, operating costs as a result of environmental laws and regulation, which could reduce our profitability.

The real estate business and the petroleum products industry are subject to numerous federal, state and local laws and regulations, including matters relating to the protection of the environment. Under certain environmental laws, a current or previous owner or operator of real estate may be liable for contamination resulting from the presence or discharge of hazardous or toxic substances or petroleum products at, on, or under, such property, and may be required to investigate and clean-up such contamination. Such laws typically impose liability and clean-up responsibility without regard to whether the owner or operator knew of or caused the presence of the contaminants, or the timing or cause of the contamination, and the liability under such laws has been interpreted to be joint and several unless the harm is divisible and there is a reasonable basis for allocation of responsibility. For example, liability may arise as a result of the historical use of a property or from the migration of contamination from adjacent or nearby properties. Any such contamination or liability may also reduce the value of the property. In addition, the owner or operator of a property may be subject to claims by third parties based on injury, damage and/or costs, including investigation and clean-up costs, resulting from environmental contamination present at or emanating from a property. (See Item 3. Legal Proceedings.) The properties owned or controlled by us are leased primarily as retail motor fuel and convenience store properties, and therefore may contain, or may have contained, USTs for the storage of petroleum products and other hazardous or toxic substances, which creates a potential for the release of such products or substances. Some of our properties may be subject to regulations regarding the retirement and decommissioning or removal of long-lived assets including buildings containing hazardous materials, USTs and other equipment. Some of the properties may be adjacent to or near properties that have contained or currently contain USTs used to store petroleum products or other hazardous or toxic substances. In addition, certain of the properties are on, adjacent to, or near properties upon which others have engaged or may in the future engage in activities that may release petroleum products or other hazardous or toxic substances. There may be other environmental problems associated with our properties of which we are unaware. These problems may make it more difficult for us to relet or sell our properties on favorable terms, or at all.

We have agreed to provide limited environmental indemnification to Marketing, capped at $4.25 million and expiring in 2010, for certain pre-existing conditions at six of the terminals we own and lease to Marketing. Under the agreement, Marketing is obligated to pay the first $1.5 million of costs and expenses incurred in connection with remediating any such pre-existing conditions, Marketing will share equally with us the next $8.5 million of those costs and expenses and Marketing is obligated to pay all additional costs and expenses over $10.0 million. We had accrued $0.3 million as of December 31, 2007 and 2006 in connection with this indemnification agreement. See recent developments related to Marketing and the Marketing Leases in Part 1. Item 1. Business Recent Developments in this Annual Report on Form 10-K for additional information.

We have not accrued for approximately $1.0 million in costs allegedly incurred by the current property owner in connection with removal of USTs and soil remediation at a property that was leased to and operated by Marketing. We believe Marketing is responsible for such costs under the terms of the Master Lease, but Marketing had denied its liability for claims and its responsibility to defend against, and indemnify us, for the claim. In addition, Marketing has denied liability and refused our tender for defense and indemnification for another legal proceeding. We have filed third party claims against Marketing in both proceedings. It is reasonably possible that our assumption that Marketing will be ultimately responsible for the claim may change, which may result in our providing an accrual for this matter.

As of December 31, 2007, we had accrued $14.3 million as management s best estimate of the net fair value of reasonably estimable environmental remediation costs which is comprised of $19.0 million of estimated environmental obligations and liabilities offset by $4.7 million of estimated recoveries from state UST remediation funds, net of allowance. Environmental expenditures were $6.3 million and recoveries from UST funds were $1.6 million for the year ended December 31, 2007.

As the operator of our properties under the Marketing Leases, Marketing is directly responsible to pay for the remediation of environmental contamination it causes and to comply with various environmental laws and regulations. In addition, the Marketing Leases and various other agreements between Marketing and us allocate responsibility for known and unknown environmental liabilities between Marketing and us relating to the properties subject to the Marketing Leases. Based on various factors, including our assessments and assumptions at this time that Lukoil would not allow Marketing to fail to perform its obligations under the Marketing Leases, we believe that Marketing will continue to pay for substantially all environmental contamination and remediation costs allocated to it under the Marketing Leases. It is possible that our assumptions regarding the ultimate allocation methods and share of responsibility that we used to allocate environmental liabilities may change as a result of the factors discussed under Item 1, Business Recent Developments , or otherwise, which may result in adjustments to the amounts recorded for environmental litigation accruals, environmental remediation liabilities and related assets. We may ultimately be responsible to directly pay for environmental liabilities as the property owner if Marketing fails to pay them.

Based upon our assessment of Marketing s financial condition and certain other factors, including but not limited to those described above, we believe at this time that it is not probable that Marketing will not pay the environmental liabilities allocable to it under the Marketing Leases and various other agreements and, therefore, have not accrued for such environmental liabilities. Our assessments and assumptions that affect the recording of environmental liabilities related to the properties subject to the Marketing Leases are reviewed on a quarterly basis and such assessments and assumptions are subject to change. If our assessments and assumptions regarding such matters change and we are required to accrue for environmental liabilities allocated to Marketing under the Marketing Leases and various other agreements between Marketing and us or if we ultimately are responsible to directly pay for such environmental liabilities as the property owner if Marketing fails to pay them, our business, financial condition, revenues, operating expenses, results of operations, liquidity, ability to pay dividends and stock price may be materially adversely affected.

We cannot predict what environmental legislation or regulations may be enacted in the future, or if or how existing laws or regulations will be administered or interpreted with respect to products or activities to which they have not previously been applied. We cannot predict whether state UST fund programs will be administered and funded in the future in a manner that is consistent with past practices or whether future environmental spending will continue to be eligible for reimbursement under these programs. Compliance with more stringent laws or regulations, as well as more vigorous enforcement policies of the regulatory agencies or stricter interpretation of existing laws which may develop in the future, could have an adverse effect on us, or our tenants, and could require substantial additional expenditures for future remediation.

For additional information with respect to environmental remediation costs and estimates see Environmental Matters in Management s Discussion and Analysis of Financial Condition and Results of Operations and Note 5 of Notes to Consolidated

Financial Statements, both of which appear in our Annual Report to Shareholders filed as exhibit 13 to this Annual Report on Form 10-K and are incorporated by reference herein.

As a result of the factors discussed above, or others, compliance with environmental laws and regulations could have a material adverse effect on our business, financial condition, results of operations, liquidity, ability to pay dividends and stock price.

We are defending pending lawsuits and claims and are subject to material losses.

We are subject to various lawsuits and claims, including litigation related to environmental matters, damages resulting from leaking USTs and toxic tort claims. The ultimate resolution of certain matters cannot be predicted because considerable uncertainty exists both in terms of the probability of loss and the estimate of such loss. Our ultimate liabilities resulting from such lawsuits and claims, if any, could cause a material adverse effect on our business, financial condition, results of operations, liquidity, ability to pay dividends and stock price.

A significant portion of our properties are concentrated in the Northeast and Mid-Atlantic regions of the United States, and adverse conditions in those regions, in particular, could negatively impact our operations.

A significant portion of the properties we own and lease are located in the Northeast and Mid-Atlantic regions of the United States. Because of the concentration of our properties in those regions, in the event of adverse economic conditions in those regions, we would likely experience higher risk of default on payment of rent payable to us (including under the Marketing Leases) than if our properties were more geographically diversified. Additionally, the rents on our properties may be subject to a greater risk of default than other properties in the event of adverse economic, political, or business developments or natural hazards that may affect the Northeast or Mid-Atlantic United States and the ability of our lessees to make rent payments. This lack of geographical diversification could have a material adverse effect on our business, financial condition, results of operations, liquidity, ability to pay dividends and stock price.

We are in a competitive business.

The real estate industry is highly competitive. Where we own properties, we compete for tenants with a large number of real estate property owners and other companies that sublet properties. Our principal means of competition are rents charged in relation to the income producing potential of the location. In addition, we expect other major real estate investors, some with much greater resources than us, will compete with us for attractive acquisition opportunities. These competitors include petroleum manufacturing, distributing and marketing companies, other REITs, investment banking firms and private institutional investors. This competition has increased prices for commercial properties and may impair our ability to make suitable property acquisitions on favorable terms in the future.

Our future cash flow is dependent on renewal of leases and either reletting or selling our properties.

We are subject to risks that financial distress of our tenants may lead to vacancies at our properties, that leases may not be renewed, that locations may not be relet or that the terms of renewal or reletting (including the cost of required renovations) may be less favorable than current lease terms. As described in the recent developments section above in Item 1. Business - Recent Developments, we intend to attempt to negotiate a modification of the Marketing Leases with Marketing to remove the Subject Properties from the Marketing Leases. Any such modification is likely to significantly reduce the amount of rent we receive from Marketing and increase our operating expenses. We cannot accurately predict if, or when, the Marketing Leases will be modified or what the terms of any modification may be if the Marketing Leases are modified. We also cannot accurately predict what actions Marketing and Lukoil may take, and what our recourse may be, whether the Marketing Leases are modified or not. In addition, numerous properties compete with our properties in attracting tenants to lease space. The number of competitive properties in a particular area could have a material adverse effect on our ability to lease our properties or newly acquired properties and on the rents charged. If we were unable to promptly relet or renew the leases for all or a substantial portion of these locations, or if the rental rates upon such renewal or reletting were significantly lower than expected, our cash flow could be adversely affected and the resale values or our properties could decline.

We may acquire or develop new properties, and this may create risks.

We may acquire or develop properties or acquire other real estate companies when we believe that an acquisition or development matches our business strategies. We may not succeed in consummating desired acquisitions or in completing developments on time or within our budget. We also may not succeed in leasing newly developed or acquired properties at rents sufficient to cover their costs of acquisition or development and operations.

We are subject to losses that may not be covered by insurance.

Marketing, and other tenants, as the lessees of our properties, are required to provide insurance for such properties, including casualty, liability, fire and extended coverage in amounts and on other terms as set forth in our leases. We carry insurance against certain risks and in such amounts as we believe are customary for businesses of our kind. However, as the costs and availability of insurance change, we may decide not to be covered against certain losses (such as certain environmental liabilities, earthquakes, hurricanes, floods and civil disorder) where, in the judgment of management, the insurance is not warranted due to cost or availability of coverage or the remoteness of perceived risk. There is no assurance that our insurance against loss will be sufficient. The destruction of, or significant damage to, or significant liabilities arising out of conditions at, our properties due to an uninsured cause would result in an economic loss and could result in us losing both our investment in, and anticipated profits from, such properties. When a loss is insured, the coverage may be insufficient in amount or duration, or a lessee s customers may be lost, such that the lessee cannot resume its business after the loss at prior levels or at all, resulting in reduced rent or a default under its lease. Any such loss relating to a large number of properties could have a material adverse effect on our business, financial condition, results of operations, liquidity, ability to pay dividends and stock price.

Failure to qualify as a REIT under the federal income tax laws would have adverse consequences to our shareholders.

We elected to be treated as a REIT under the federal income tax laws beginning January 1, 2001. We cannot, however, guarantee that we will continue to qualify in the future as a REIT. We cannot give any assurance that new legislation, regulations, administrative interpretations or court decisions will not significantly change the requirements relating to our qualification. If we fail to qualify as a REIT, we will again be subject to federal income tax at regular corporate rates, we could be subject to the federal alternative minimum tax, we would be required to pay significant income taxes and would have less money available for our operations and distributions to shareholders. This would likely have a significant adverse effect on the value of our securities. We could also be precluded from treatment as a REIT for four taxable years following the year in which we lost the qualification, and all distributions to stockholders would be taxable as regular corporate dividends to the extent of our current and accumulated earnings and profits. Loss of our REIT status would result in an event of default that, if not cured or waived, could result in the acceleration of all of our indebtedness under our Credit Agreement which could have a material adverse effect on our business, financial condition, results of operations, liquidity, ability to pay dividends and stock price.

As a REIT, we are dependent on external sources of capital which may not be available on favorable terms, if at all.

To maintain our status as a REIT, we must distribute to our shareholders each year at least ninety percent of our net taxable income, excluding any net capital gain. Because of these distribution requirements, it is not likely that we will be able to fund all future capital needs, including acquisitions, from income from operations. Therefore, we will have to continue to rely on third-party sources of capital, which may or may not be available on favorable terms, or at all. We cannot accurately predict how periods of illiquidity in the credit markets, such as current market conditions, will impact our access to or cost of capital. We may be unable to pursue equity offerings until we resolve with the SEC the outstanding comment regarding disclosure of Marketing s financial information. Moreover, additional equity offerings may result in substantial dilution of shareholders interests, and additional debt financing may substantially increase our leverage. Our access to third-party sources of capital depends upon a number of factors including general market conditions, the market s perception of our growth potential, our current and potential future earnings and cash distributions, limitations on future indebtedness imposed under our Credit Agreement and the market price of our common stock.

Our ability to meet the financial and other covenants relating to our Credit Agreement may be dependent on the performance of our tenants. (See recent developments related to Marketing and the Marketing Leases in Part I, Item 1. Business Recent Developments in this Annual Report on Form 10-K for additional information.) If we are not in compliance with one or more of our covenants which, if not complied with could result in an event of default under our Credit Agreement, there can be no assurance that our lenders would waive such non-compliance. A default under our Credit Agreement, if not cured or waived, whether due to a loss of our REIT status, a material adverse effect on our business, financial condition or prospects, a failure to comply with financial and certain other covenants in the

Credit Agreement or otherwise, could result in the acceleration of all of our indebtedness under our Credit Agreement. This could have a material adverse affect on our business, financial condition, results of operations, liquidity, ability to pay dividends and stock price.

The recent downturn in the credit markets has increased the cost of borrowing and has made financing difficult to obtain, which may negatively impact our business, and may have a material adverse effect on us.

During 2007, the United States housing and residential lending markets began to experience accelerating default rates, declining real estate values and increasing backlog of housing supply. The residential sector issues quickly spread more broadly into the corporate, asset-backed and other credit and equity markets and the volatility and risk premiums in most credit and equity markets have increased dramatically, while liquidity has decreased. These issues have continued into the beginning of fiscal 2008. Increasing concerns regarding the United States and world economic outlook, such as large asset write-downs at banks, rising oil prices, declining business and consumer confidence and increased unemployment, are compounding these issues and risk premiums in most capital markets remain near historical all-time highs. These factors are precipitating generalized credit market dislocations and a significant contraction in available credit. As a result, it is becoming increasingly difficult to obtain cost-effective debt capital to finance new investment activity or to refinance maturing debt and most lenders are imposing more stringent restrictions on the terms of credit. The negative impact on the tightening of the credit markets and continuing credit and liquidity concerns may have a material adverse effect on our business, financial condition, results of operations, liquidity, ability to pay dividends and stock price. Additionally, there is no assurance that the increased financing costs, financing with increasingly restrictive terms or the increase in risk premiums that are demanded by investors will not have a material adverse effect on us.

Lenders may require us to enter into more restrictive covenants relating to our operations.

Any future credit agreements or loan documents we execute may contain additional or more restrictive covenants that could have a material adverse effect on our business, financial condition, results of operations, liquidity, ability to pay dividends and stock price.

The loss of certain members of our management team could adversely affect our business.

We depend upon the skills and experience of our executive officers. Loss of the services of any of them could have a material adverse effect on our business, financial condition, results of operations, liquidity, ability to pay dividends and stock price. We do not have employment agreements with any of our executives.

Our business operations may not generate sufficient cash for distributions or debt service.

There is no assurance that our business will generate sufficient cash flow from operations or that future borrowings will be available to us in an amount sufficient to enable us to make distributions on our common stock, to pay our indebtedness, or to fund our other liquidity needs. We may not be able to repay or refinance existing indebtedness on favorable terms, which could force us to dispose of properties on disadvantageous terms (which may also result in losses) or accept financing on unfavorable terms.

Borrowings under our Credit Agreement bear interest at a floating rate. Accordingly, an increase in interest rates will increase the amount of interest we must pay under our Credit Agreement and a significant increase in interest rates could also make it more difficult to find alternative financing on desirable terms. We have entered into an interest rate swap agreement with a major financial institution with respect to a portion of our variable rate debt outstanding under our Credit Agreement. Although the agreement is intended to lessen the impact of rising interest rates, it also exposes us to the risk that the other party to the agreement will not perform, the agreement will be unenforceable and the underlying transactions will fail to qualify as a highly-effective cash flow hedge for accounting purposes.

Our accounting policies and methods are fundamental to how we record and report our financial position and results of operations, and they require management to make estimates, judgments and assumptions about matters that are inherently uncertain.

Our accounting policies and methods are fundamental to how we record and report our financial position and results of operations. We have identified several accounting policies as being critical to the presentation of our financial position and results of operations because they require management to make particularly subjective or complex judgments about matters that are inherently uncertain and because of the likelihood that materially different amounts would be recorded under different conditions or using different assumptions. Because of the inherent uncertainty of the estimates, judgments and assumptions associated with these critical accounting policies, we cannot provide any assurance that we will not make subsequent significant adjustments to our consolidated financial statements including those included in this Form 10-K. Estimates, judgments and assumptions underlying our consolidated financial statements include, but are not limited to, deferred rent receivable, recoveries from state UST funds, environmental remediation costs, real estate, depreciation and amortization, impairment of long-lived assets, litigation, accrued expenses, income taxes payable and the allocation of the purchase price of properties acquired to the assets acquired and liabilities assumed. For example, we have made judgments regarding the level of environmental reserves and reserves for our deferred rent receivable relating to Marketing and the Marketing Leases. These judgments and assumptions may prove to be incorrect and our business, financial condition, revenues, operating expense, results of operations, liquidity, ability to pay dividends and stock price may be materially adversely affected if that is the case. See Item 1. Business Recent Developments for information regarding Marketing and the Marketing Leases and Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies for more information on our critical accounting policies.

Changes in accounting standards issued by the Financial Accounting Standards Board (the FASB) or other standard-setting bodies may adversely affect our reported revenues, profitability or financial position.

Our financial statements are subject to the application of GAAP, which are periodically revised and/or expanded. The application of GAAP is also subject to varying interpretations over time. Accordingly, we are required to adopt new or revised accounting standards or comply with revised interpretations that are issued from time-to-time by recognized authoritative bodies, including the FASB and the SEC. Those changes could adversely affect our reported revenues, profitability or financial position.

We may be unable to pay dividends and our equity may not appreciate.

Under the Maryland General Corporation Law, our ability to pay dividends would be restricted if, after payment of the dividend, (1) we would not be able to pay indebtedness as it becomes due in the usual course of business or (2) our total assets would be less than the sum of our liabilities plus the amount that would be needed, if we were to be dissolved, to satisfy the rights of any shareholders with liquidation preferences. There currently are no shareholders with liquidation preferences. No assurance can be given that our financial performance in the future will permit our payment of any dividends. (See recent developments related to Marketing and the Marketing Leases in Part I, Item 1. Business Recent Developments in this Annual Report on Form 10-K.) In particular, our Credit Agreement prohibits the payments of dividends during certain events of default. As a result of the factors described above, we may experience material fluctuations in future operating results on a quarterly or annual basis, which could materially and adversely affect our business, stock price and ability to pay dividends.

Terrorist attacks and other acts of violence or war may affect the market on which our common stock trades, the markets in which we operate, our operations and our results of operations.

Terrorist attacks or armed conflicts could affect our business or the businesses of our tenants or of Marketing or its parent. The consequences of armed conflicts are unpredictable, and we may not be able to foresee events that could have a material adverse effect on us. More generally, any of these events could cause consumer confidence and spending to decrease or result in increased volatility in the United States and worldwide financial markets and economy. Terrorist attacks also could be a factor resulting in, or a continuation of, an economic recession in the United States or abroad. Any of these occurrences could have a material adverse effect on our business, financial condition, results of operations, liquidity, ability to pay dividends and stock price.

Item 1B. Unresolved Staff Comments

One comment remains unresolved as part of a periodic review commenced in 2004 by the Division of Corporation Finance of the SEC of our Annual Report on Form 10-K for the year ended December 31, 2003 pertaining to the SEC s position that we must include the financial statements and summarized financial data of Marketing in our periodic filings, which Marketing contends is prohibited under the terms of the Master Lease. In June 2005, the SEC indicated that, unless we file Marketing s financial statements and summarized financial data with our periodic reports: (i) it will not consider our Annual Reports on Forms 10-K for the years beginning with 2000 to be compliant; (ii) it will not consider us to be current in our reporting requirements; (iii) it will not be in a position to declare effective any registration statements we may file for public offerings of our securities; and (iv) we should consider how the SEC s conclusion impacts our ability to make offers and sales of our securities under existing registration statements and if we have a liability for such offers and sales made pursuant to registration statements that did not contain the financial statements of Marketing.

We believe that the SEC s position is based on their interpretation of certain provisions of their internal Accounting Disclosure Rules and Practices Training Material, Staff Accounting Bulletin No. 71 and Rule 3-13 of Regulation S-X. We do not believe that any of this guidance is clearly applicable to our particular circumstances and we believe that, even if it were, we should be entitled to certain relief from compliance with such requirements. Marketing subleases our properties to approximately eight hundred independent, individual service station/convenience store operators (subtenants). Consequently, we believe that we, as the owner of these properties and the Getty® brand, could relet these properties to the existing subtenants who operate their convenience stores, automotive repair services or other businesses at our properties, or to others, at market rents although we cannot accurately predict whether, when, or on what terms, such properties would be re-let or sold. The SEC did not accept our positions regarding the inclusion of Marketing s financial statements in our filings. We have had no communication with the SEC since 2005 regarding the unresolved comment. We cannot accurately predict the consequences if we are unable to resolve this outstanding comment.

Item 2. Properties

The following table summarizes the geographic distribution of our properties at December 31, 2007. The table also identifies the number and location of properties we lease from third-parties and which Marketing leases from us under the Marketing Leases. In addition, we lease four thousand square feet of office space at 125 Jericho Turnpike, Jericho, New York, which is used for our corporate headquarters, which we believe will remain suitable and adequate for such purposes for the immediate future.

	OWNED BY GETTY REALTY		LEASED BY GETTY REALTY		TOTAL	PERCENT OF TOTAL
	MARKETING AS TENANT (1)	OTHER TENANTS	MARKETING AS TENANT	OTHER TENANTS	PROPERTIES BY STATE	PROPERTIES
New York	235	30	77	5	347	32.0%
Massachusetts	128	1	24		153	14.1
New Jersey	107	11	30	4	152	14.0
Pennsylvania	108	6	6	4	124	11.5
Connecticut	59	28	18	9	114	10.5
Virginia	4	24	10	1	39	3.6
New Hampshire	26	3	3		32	3.0
Maine	17	1	3	1	22	2.0
Rhode Island	15	1	3		19	1.8
Texas		16			16	1.5
Delaware	10	1	1		12	1.1
North Carolina		11			11	1.0
Hawaii		10			10	0.9
Maryland	4	3	1	2	10	0.9
California		8		1	9	0.8
Florida		6			6	0.6
Arkansas		3			3	0.3
Illinois		2			2	0.2
North Dakota		1			1	0.1
Vermont	1				1	0.1
Total	714	166	176	27	1,083	100.0%

(1) Includes nine terminal properties owned in New York, New Jersey, Connecticut and Rhode Island.

The properties that we lease have a remaining lease term, including renewal option terms, averaging over ten years. The following table sets forth information regarding lease expirations, including renewal and extension option terms, for properties that we lease from third parties:

CALENDAR YEAR	NUMBER OF LEASES EXPIRING	PERCENT OF TOTAL LEASED PROPERTIES	PERCENT OF TOTAL PROPERTIES
2008	9	4.4	0.8
2009	17	8.4	1.6
2010	9	4.4	0.8
2011	9	4.4	0.8
2012	13	6.5	1.2
Subtotal	57	28.1	5.2
Thereafter	146	71.9	13.5
Total	203	100.0%	18.7%

We have rights-of-first refusal to purchase or lease one hundred sixty-two of the properties we lease. Although there can be no assurance regarding any particular property, historically we generally have been successful in renewing or entering into new leases when lease terms expire. Approximately 67% of our leased properties are subject to automatic renewal or extension options.

In the opinion of our management, our owned and leased properties are adequately covered by casualty and liability insurance. In addition, we require our tenants to provide insurance for all properties they lease from us, including casualty, liability, fire and extended coverage in amounts and on other terms satisfactory to us. We have no plans for material improvements to any of our properties. However, our tenants frequently make improvements to the properties leased from us at their expense. We are not aware of any material liens or encumbrances on any of our properties.

We lease eight hundred eighty-one retail motor fuel and convenience store properties and our nine petroleum distribution terminals to Marketing under the Marketing Leases. The Master Lease is a unitary lease and has an initial term expiring in 2015, and generally provides Marketing with three renewal options of ten years each and a final renewal option of three years and ten months extending to 2049. Each of the renewal options may be exercised only on an all or nothing basis. The Marketing Leases are triple-net leases, under which Marketing is responsible for the payment of taxes, maintenance, repair, insurance and other operating expenses. (See recent developments related to Marketing and the Marketing Leases in Part I, Item 1. Business Recent Developments in this Annual Report on Form 10-K for additional information.)

If Marketing fails to pay rent, taxes or insurance premiums when due under the Marketing Leases and the failure is not cured by Marketing within a specified time after receipt of notice, we have the right to terminate the Marketing Leases and to exercise other customary remedies against Marketing. If Marketing fails to comply with any other obligation under the Master Lease after notice and opportunity to cure, we do not have the right to terminate the Master Lease. In the event of Marketing s default where we do not have the right to terminate the Master Lease, our available remedies under the Master Lease are to seek to obtain an injunction or other equitable relief requiring Marketing to comply with its obligations under the Master Lease and to recover damages from Marketing resulting from the failure. If any lease we have with a third-party landlord for properties that we lease to Marketing is terminated as a result of our default and the default is not caused by Marketing, we have agreed to indemnify Marketing for its losses with respect to the termination. Marketing has the right-of-first refusal to purchase any property leased to Marketing under the Marketing Leases that we decide to sell.

We have also agreed to provide limited environmental indemnification to Marketing, capped at $4.25 million and expiring in 2010, for certain pre-existing conditions at six of the terminals we own and lease to Marketing. Under the agreement, Marketing is obligated to pay the first $1.5 million of costs and expenses incurred in connection with remediating any pre-existing terminal condition, Marketing will share equally with us the next $8.5 million of those costs and expenses and Marketing is obligated to pay all additional costs and expenses over $10.0 million. We have accrued $0.3 million as of December 31, 2007 and 2006 in connection with this indemnification agreement. Under the Master Lease, we continue to have additional ongoing environmental remediation obligations for two hundred nineteen scheduled sites and our agreements with Marketing provide that Marketing otherwise remains liable for all environmental matters. (See recent developments related to Marketing and the Marketing Leases in Part I, Item 1. Business Recent Developments in this Annual Report on Form 10-K for additional information.)

Item 3. Legal Proceedings

In 1988 and 1989, we were named as defendants in three separate lawsuits by multiple owners of adjacent properties seeking compensatory and punitive damages for personal injury and property damages having common allegations that a leak of an underground storage tank occurred in November 1985 at one of our retail motor fuel properties. Although the first action was dismissed in January 1992 and the second action was dismissed in 1995, there is a possibility that the remaining defendants in this action may assert claims against us for contribution or indemnity in the future. We are not aware that any such claims have been asserted. The third action is still pending in New York Supreme Court, Suffolk County, remains in the pleadings stage and has remained dormant for more than eleven years. We believe that these plaintiffs no longer will assert claims for personal injuries, and that the property has been sold. If this litigation resumes, we will assert third-party claims against the party we believe is responsible for the contamination.

In 1991, the State of New York brought an action in the New York State Supreme Court in Albany against our former heating oil subsidiary seeking reimbursement for cleanup costs claimed to have been incurred at a retail motor fuel property in connection with a gasoline release. The State is also seeking penalties plus interest. Although there has been no activity in this proceeding in the past several years, in January 2002, we received a letter from the State s attorney indicating that the State intends to continue prosecuting the action. To date, we are not aware that the State has taken any additional actions in connection with this claim.

In June 1991, an action was commenced against us in the Court of Common Pleas of Berks County, PA seeking reimbursement for cleanup costs claimed to have been incurred as a result of a petroleum release. Sun Company, Inc., Exxon Company, U.S.A. and Atlantic Richfield Company have been joined as defendants. This case has recently been certified by the Court for trial, scheduled to occur in August 2008.

In 1997, an action was commenced in the New York Supreme Court in Schenectady, naming us as defendants, and seeking to recover monetary damages for personal injuries allegedly suffered from the release of petroleum and vapors from one of our retail motor fuel properties. This action has not been pursued by the plaintiff for more than nine years.

In 1997, representatives of the County of Lancaster, Pennsylvania contacted the Company regarding alleged petroleum contamination of property owned by the County adjoining a property owned by the Company. No litigation has been instituted as a result of this potential claim and the Company is actively remediating the contamination. In 2005, the County requested reimbursement of legal fees pursuant to an access agreement between the parties. A substantial portion of the fees remains in dispute.

In June 1998, we were sued as a third-party defendant in the Superfund case of U.S. v. Champion Chemical Co. and Imperial Oil Co., pending in the U.S. District Court for New Jersey. Our defense is being conducted by Texaco Inc., which has agreed to fully indemnify us. In August 1998, we were sued as a third-party defendant in the Superfund case of U.S. v. Manzo, pending in the U. S. District Court for New Jersey. Our defense is also being conducted by Texaco Inc., which has agreed to fully indemnify us. Both matters involve periods prior to 1985, the year we purchased the properties from Texaco Inc. pursuant to an agreement under which Texaco is obligated to indemnify us for environmental matters of this kind.

In June 1999, an action was commenced against us in the New York Supreme Court in Richmond County seeking monetary damages for property damage alleged to have resulted from a petroleum release in connection with a tank removal by our contractor. After a number of years of inactivity by the plaintiff, in 2006 the plaintiff reactivated prosecution by filing for a preliminary conference. Since then, there had been no material activity in the case. At this time, we are unable to estimate with any certainty our ultimate legal and financial liability, if any, for the damages claimed in the litigation

In September 1999, we brought a case against one of our tenants in the United States District Court, District of New Jersey, seeking the return of the property we leased to the tenant and the cleanup of all contamination caused by the tenant. Our tenant filed a counterclaim alleging that all or part of the contamination was attributable to contamination from USTs for which we were responsible. The State of New Jersey Department of Environmental Protection (the NJDEP) has notified the tenant that it is responsible for the cleanup and remediation of contamination resulting from a petroleum release. The case was settled in 2007 without any payment by the Company. As a part of the settlement, the tenant purchased the subject property in January 2008, assumed responsibility for the remediation of all environmental conditions and fully indemnified the Company and its affiliates for all environmental liability.

In 2000, an action was commenced in New York Supreme Court in Nassau County against us by a prior landlord to recover damages arising out of a petroleum release and remediation thereof. The release dates back to 1979 and is listed as closed by the NYSDEC. Plaintiff has not pursued this case for more than six years.

In December 2002, the State of New York commenced an action in the New York Supreme Court in Albany County against us and Marketing to recover costs claimed to have been expended by the State to investigate and remediate a petroleum release into the Ossining River commencing approximately in 1996. We are indemnifying Marketing in this case and have filed a claim against a potentially responsible party who is upstream of the release.

In February 2003, an action was commenced against us, Marketing and others by the owners of an adjacent property in the Pennsylvania Court of Common Pleas in Lancaster County, asserting claims relating to a discharge of gasoline allegedly emanating from our property. The complaint states that the plaintiffs first became aware of a problem upon detecting gasoline vapors in their basement in 1996. In response to cross motions for summary judgment, the court denied our motion and granted plaintiff s motion finding us liable for the petroleum contamination, but certified the determination for an immediate appeal. Plaintiff s expert alleges damages of $67,000. Plaintiff s counsel has also made demand for legal fees, which the Company disputes as grossly excessive. Certain summary judgment motions filed by the Company are pending.

In April 2003, we were named in a class action, filed in the New York Supreme Court in Dutchess County, NY, arising out of alleged contamination of ground water with methyl tertiary butyl ether (a fuel derived from methanol, which we refer to as MTBE). We served an answer that denied liability and asserted numerous affirmative defenses. The plaintiffs have not responded to our answer and there has been no activity in the case since it was commenced.

In July 2005, the State of Rhode Island Department of Environmental Management (RIDEP) issued a Notice of Violation against the Company and Marketing relating to a suspected petroleum release at a property that abuts property owned by us and leased to Marketing. The Notice of Violation was appealed by Marketing on behalf of it and the Company. An evidentiary hearing on that appeal has not yet been scheduled. We do not believe that we have any liability for the contamination, which we believe is unrelated to the products we stored at the property.

In July 2003, we received a Request for Reimbursement from the State of Maine Department of Environmental Protection (MDEP) seeking reimbursement of costs claimed to have been incurred by it in connection with the remediation of contamination found at a retail motor fuel property, purportedly linked to numerous gasoline spills in the late 1980 s. We have denied liability for the claim and discovered substantial evidence that links the contamination to gasoline releases of another company which has operated at the property since we discontinued our operations at the property. We have requested that the MDEP investigate the possibility that such other company is the responsible party.

In September 2003, we were notified by the NJDEP that we are one of approximately sixty potentially responsible parties for natural resources damages resulting from discharges of hazardous substances into the Lower Passaic River. The definitive list of potentially responsible parties and their actual responsibility for the alleged damages, the aggregate cost to remediate the Lower Passaic River, the amount of natural resource damages and the method of allocating such amounts among the potentially responsible parties have not been determined. In September 2004, we received a General Notice Letter from the United States Environmental Protection Agency (the EPA) (the EPA Notice), advising us that we may be a potentially responsible party for costs of remediating certain conditions resulting from discharges of hazardous substances into the Lower Passaic River. ChevronTexaco received the same EPA Notice regarding those same conditions. We believe that ChevronTexaco is obligated to indemnify us, pursuant to indemnification covenants, regarding the conditions at the property identified by the NJDEP and the EPA. Accordingly, our ultimate legal and financial liability, if any, cannot be estimated with any certainty at this time.

In September 2003, we were notified by the NJDEP that we may be responsible for damages to natural resources (NRDs) by reason of a petroleum release at a retail motor fuel property formerly operated by us in Egg Harbor, NJ. We have remediated the resulting contamination at the property in accordance with a plan approved by the NJDEP and continue required sampling of monitoring wells that were required to be installed. In addition, we have responded to the notice and met with the Department to determine whether, and to what extent, we may be responsible for NRDs regarding this property and our other properties formerly supplied by us with gasoline in New Jersey. The NJDEP s right to pursue NRDs, the viability of defenses to NRDs, generally, and the NJDEP s method for calculating NRDs are subject to ongoing litigation in the NJDEP. We are not a party to such litigation. However, the outcome of that litigation likely will affect the NJDEP s claim against us for NRDs with regard to this property and, generally, our other properties in New Jersey.

From October 2003 through September 2007, we were made a party to forty-nine cases in Connecticut, Florida, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Vermont, Virginia, and West Virginia, brought by local water providers or governmental agencies. These cases allege various theories of liability due to contamination of groundwater with MTBE as the basis for claims seeking compensatory and punitive damages. Each case names as defendants approximately fifty petroleum refiners, manufacturers, distributors and retailers of MTBE, or gasoline containing MTBE. The accuracy of the allegations as they relate to us, our defenses to such claims, the aggregate amount of damages, the definitive list of defendants and the method of allocating such amounts among the defendants have not been determined. At this time, four focus cases have been broken our from a consolidated Multi-District Litigation being heard in the Southern District of New York. Three of these cases name the Company as a defendant. One of the cases to which we are a party has been set for trial in September 2008. Trials in the other two focus cases in which the Company has been named are anticipated to be scheduled for sometime in 2009. The Company participates in a joint defense group with the goal of sharing expert and other costs with the other defendants, and also has separate counsel defending its interests. We are vigorously defending these matters. In June 2006, we were served with a Toxic Substance Control Act (TSCA) Notice Letter (Notice Letter), advising us that prospective plaintiffs listed on a schedule to the Notice Letter intend to file a TSCA citizens civil action against the entities listed on a schedule to the Notice Letter, including the Company s subsidiaries, based upon alleged failure by such entities to provide information to the United States Environmental Protection Agency regarding MTBE as may be required by the TSCA and declaring that such action will be filed unless such information is delivered. We do not believe that we have any such information. Our ultimate legal and financial liability, if any, in connection with the existing litigation or any future civil litigation pursuant to the Notice Letter cannot be estimated with any certainty at this time.

In November 2003, we received a demand from the State of New York for reimbursement of cleanup and removal costs claimed to have been incurred by the New York Environmental Protection and Spill Compensation Fund regarding contamination it alleges emanated from one of our retail motor fuel properties in 1997. We have responded to the State s demand and have denied responsibility for reimbursement of such costs, as being attributable to contamination that emanated from properties owned and operated by others. In September 2004, the State of New York commenced an action against us and others in New York Supreme Court in Albany County seeking recovery of such costs. Discovery in this case is ongoing.

In November 2003, an action was commenced in the New York Supreme Court in Westchester County seeking money damages against us arising out of a petroleum release in 1996 at a former retail motor fuel property of ours. Our defense is being conducted by the company that sold us the property, and they have agreed to fully indemnify us pursuant to the purchase agreement, which calls for indemnification for environmental matters of this kind.

In July 2005, we received a demand from a property owner for reimbursement of cleanup and soil removal costs, at a former retail motor fuel property located in Brooklyn, New York supplied by us with gasoline, that the owner expects to incur in connection with the proposed development of its property. The owner claims that the costs will be reimbursable pursuant to an indemnity agreement that we entered into with the property owner. Although we have acknowledged responsibility for the contaminated soil, and have been engaged in the remediation of the same, we have denied responsibility for the full extent of the costs estimated to be incurred.

In September 2005, we received a demand from a property owner for reimbursement of cleanup and soil removal costs claimed to have been incurred by it in connection with the development of its property located in Philadelphia, Pennsylvania, that, in part, is a former retail motor fuel property supplied by us with gasoline. The current owner claims that the costs are reimbursable pursuant to an indemnity agreement that we entered into with the prior property owner. Although we have acknowledged responsibility for a portion of the contaminated soil, and were engaged in the remediation of the same, we denied responsibility for the full extent of the costs estimated to be incurred. The matter was settled in June 2007, in consideration for a payment by the Company of $985,000.

In October 2005, the State of New York commenced an action in the New York Supreme Court in Albany County against us and Marketing to recover costs claimed to have been funded by the State to remediate a petroleum release emanating from a property we acquired in 1999. The seller of the property to us, who is also party to the action, has agreed to defend and indemnify us (and Marketing) regarding the release and funds have been escrowed to cover the amount sought to be recovered.

In November 2005, we were notified that an action had been commenced in the Superior Court in Passaic County, New Jersey, in August 2005, by a property owner, seeking compensation from us on behalf of a class not yet certified, based upon the installation of a monitoring well on the property of the property owner. The NJDEP also is named as a defendant. The matter was settled in the April 2007 for a $6,000 payment by the Company.

In December 2005, an action was commenced against us in the Superior Court in Providence, Rhode Island, by the owner of a pier that is adjacent to one of our terminals that is leased to Marketing seeking monetary damages of approximately $500,000 representing alleged costs related to the ownership and maintenance of the pier for the period from January 2003 through September 2005. We do not believe that we have any legal, contractual or other responsibility for such costs. Additionally, we believe that, under the terms of the Master Lease, Marketing is responsible for such costs, and we tendered the matter to them for defense and indemnification. Marketing declined to accept our tender and has denied liability for the claim. We have filed a third party claim against Marketing seeking defense and indemnification that has been tolled, pending resolution of the underlying litigation. (See recent developments related to Marketing and the Marketing Leases in Part I, Item 1. Business Recent Developments in this Annual Report on Form 10-K for additional information.) At a pre-trial conference held in this matter, the Court advised the owner that there is legal precedent from prior litigation involving the pier that is contrary to its claim.

In February 2006, an action was commenced in the Supreme Court in Westchester County, New York against us and Marketing to recover cleanup and remediation costs related to a petroleum release and for monetary damages in excess of $1.0 million for, among other things, lost rent and diminution of property value. The matter was settled in May 2007 in consideration for a payment by the Company of $50,000.

In April 2006, our subsidiary was added as a new defendant in an action in the Superior Court of New Jersey, Middlesex County, filed by a property owner claiming damages against multiple defendants for remediation of contaminated soil. The basis for prosecuting the claim against our subsidiary is corporate successor liability. In December 2007, pursuant to a multi-day mediation, an agreement to settle in principal was reached by all parties. Since then, one component of the settlement as it relates to the Company been put back into dispute by the plaintiff.

In May 2006, we were advised (but not yet served) of a third party complaint filed in an action in the Superior Court of New Jersey, Essex County, against Getty Oil, Inc. and John Doe Corporations, filed by a property owner seeking to impose upon third parties (that may include a subsidiary of the Company) responsibility for damages it may suffer in the action for claims brought against it under federal environmental laws, the State s Spill Act, the State s Water Pollution Act and other theories of liability. It is not clear at this time whether the Company or any of its subsidiaries would have any liability for the asserted claims or whether, or to what extent, such liability would be covered by the Company s settlement agreement with ChevronTexaco in connection with pre-1985 contamination at the Newark Terminal property, which is near the property that is the subject of the litigation. Accordingly, we are unable at this time to estimate with any certainty our ultimate legal and financial liability, if any, for the damages claimed in the litigation.

In August 2006, we were advised by the State of Maryland Department of the Environment of the discovery of contaminated soil at a retail motor fuel property that was supplied by us with gasoline. We do not believe that we have any liability in connection with such contamination.

In August 2006, an action was commenced against us and our subsidiary in the Circuit Court, Madison County, Illinois seeking a recovery of damages arising out of the death of a person allegedly exposed to asbestos at our subsidiary s premises. We do not believe that there is any basis for a claim against us and are in the process of determining whether there is any basis at all for the claim against our subsidiary.

In October 2006, an action was commenced against us in the New York State Supreme Court in Albany County by a property owner seeking reimbursement of the costs of cleanup and remediation of petroleum contamination at property that was supplied by us with gasoline. It appears from the pleadings filed by the plaintiff that they have confused Getty Refining and Marketing Inc. (a nonaffiliated entity acquired by Texaco Refining and Marketing Inc.) with Getty Petroleum Corp. (now known as Getty Properties Corp.).

In November 2006, an action was commenced by the New Jersey Schools Corporation (NJSC) in the Superior Court of New Jersey, Union County seeking reimbursement for costs of approximately $1.0 million related to the removal of abandoned USTs and remediation of soil contamination at a retail motor fuel property that was acquired from us by eminent domain. Prior to the taking, the property was leased to and operated by Marketing. We believe that, under the terms of the Master Lease, Marketing is responsible for such costs, and we tendered the matter to Marketing for defense and indemnification. Marketing has declined to accept the tender and has denied liability for the claim. We have filed a compulsory third party claim against Marketing seeking defense and indemnification. In July 2007, Marketing filed a claim against the Company seeking defense and indemnification. A trial date is anticipated to be set for sometime in September 2008. (See recent developments related to Marketing and the Marketing Leases in Part I, Item 1. Business - Recent Developments in this Annual Report on Form 10-K for additional information.)

In May 2007, the Company s subsidiary received a lease default notice from its sub-landlord pertaining to an alleged underpayment of rent by our subsidiary for a period of time exceeding fifteen years. In June 2007, the Company commenced an action against the sub-landlord seeking an injunction that would preclude the sub-landlord from taking any action to terminate its sublease with our subsidiary or collect the alleged underpayment of rent. The Court issued the injunction preventing termination of the sublease pending determination of the matter. The matter remains pending.

In July 2007, subsidiaries of the Company were notified of the commencement of three actions by the NJDEP seeking NRDs arising out of petroleum releases which occurred years ago. Answers to the complaints and discovery requests have been filed by the Company s subsidiaries in each of these cases. The accuracy of the allegations as they relate to us, the legal right of the NJDEP to claim NRDs in these actions, the viability of our defenses to such claims, the legal basis for determining the amount of the NRDs, and the method of allocating damages, if any, between defendants have not been determined.

In October 2007, the Company received a demand from the State of New York to pay the costs allegedly arising from investigation and remediation of petroleum spills that occurred at a property taken by Eminent Domain by the State of New York in 1991. The accuracy of the allegations as they relate to us, our interest in the property, and the nature of the alleged discharges of petroleum that are claimed to have occurred at the property are being researched. Accordingly, we are unable at this time to estimate with any certainty our ultimate legal and financial liability, if any, for the amounts demanded by the State of New York.

Item 4. Submission of Matters to a Vote of Security Holders

No matter was submitted to a vote of security holders during the three months ended December 31, 2007.

PART II

Item 5. Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Information in response to this item is incorporated herein by reference to information under the headings Capital Stock , Stock Performance Graph and Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources in our Annual Report to Shareholders filed as exhibit 13 to this Annual Report on Form 10-K.

Item 6. Selected Financial Data

Information in response to this item is incorporated herein by reference to information under the heading Getty Realty Corp. and Subsidiaries Selected Financial Data in our Annual Report to Shareholders filed as exhibit 13 to this Annual Report on Form 10-K.

Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations

Information in response to this item is incorporated herein by reference to information under the heading Management s Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report to Shareholders filed as exhibit 13 to this Annual Report on Form 10-K.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Information in response to this item is incorporated herein by reference to information under the heading Management s Discussion and Analysis of Financial Condition and Results of Operations - Disclosures about Market Risk in our Annual Report to Shareholders filed as exhibit 13 to this Annual Report on Form 10-K.

Item 8. Financial Statements and Supplementary Data

Information in response to this item is incorporated herein by reference to the financial statements and supplementary financial information in our Annual Report to Shareholders filed as exhibit 13 to this Annual Report on Form 10-K under the headings Getty Realty Corp. and Subsidiaries Consolidated Statements of Operations, Consolidated Statements of Comprehensive Income, Consolidated Balance Sheets, Consolidated Statements of Cas Flows, Notes to Consolidated Financial Statements (including the supplementary financial information contained in Note 9 Quarterly Financial Data) and Report of Independent Registered Public Accounting Firm.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company s reports filed or furnished pursuant to the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the Commission s rules and forms, and that such information is accumulated and communicated to the Company s management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As required by the Exchange Act Rule 13a-15(b), the Company has carried out an evaluation, under the supervision and with the participation of the Company s management, including the Company s Chief Executive Officer and the Company s Chief Financial Officer, of the effectiveness of the design and operation of the Company s disclosure controls and procedures as of the end of the period covered by this Annual Report on Form 10-K. Based on the foregoing, the Company s Chief Executive Officer and Chief

Financial Officer concluded that the Company s disclosure controls and procedures were effective at the reasonable assurance level as of December 31, 2007.

Management s Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our assessment under the framework in Internal Control Integrated Framework, our management concluded that our internal control over financial reporting was effective as of December 31, 2007.

The effectiveness of our internal control over financial reporting as of December 31, 2007, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears in our Annual Report to Shareholders filed as exhibit 13 to this Annual Report on Form 10-K.

There have been no changes in the Company s internal control over financial reporting during the latest fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information with respect to compliance with section 16(a) of the Exchange Act is incorporated herein by reference to information under the heading Section 16(a) Beneficial Ownership Reporting Compliance in the Proxy Statement. Information with respect to directors, the audit committee and the audit committee financial expert, and procedures by which shareholders may recommend to nominees to the board of directors in response to this item is incorporated herein by reference to information under the headings Election of Directors and Directors Meetings, Committees and Executive Officers in the Proxy Statement. The following table lists our executive officers, their respective ages, and the offices and positions held.

NAME	AGE	POSITION	OFFICER SINCE
Leo Liebowitz	80	Chairman and Chief Executive Officer	1971
Kevin C. Shea	48	Executive Vice President	2001
Thomas J. Stirnweis	49	Vice President, Treasurer and Chief Financial Officer	2001
Joshua Dicker	47	General Counsel and Corporate Secretary	2008

Mr. Liebowitz has been Chief Executive Officer of the Company since 1985. He was the President of the Company from May 1971 to May 2004. Mr. Liebowitz served as Chairman, Chief Executive Officer and a director of Marketing from October 1996 until December 2000. He is also a director of the Regional Banking Advisory Board of J.P. Morgan Chase & Co.

Mr. Shea has been with the Company since 1984 and has served as Executive Vice President since May 2004 and was Vice President since January 2001. Prior thereto, he was Director of National Real Estate Development.

Mr. Stirnweis joined the Company in January 2001 as Corporate Controller and Treasurer and has served as Vice President, Treasurer and Chief Financial Officer since May 2003. Prior to joining the Company, he was Manager of Financial Reporting and Analysis of Marketing, where he provided services to the Company under a services agreement since the Spin-Off of Marketing in March 1997. Prior thereto, he held the same position at the Company since November 1988.

Mr. Dicker joined the Company in February 2008 as General Counsel and Corporate Secretary. Prior to joining Getty, he was a partner at the national law firm Arent Fox, LLP since 2002.

There are no family relationships between any of its directors or executive officers.

The Getty Realty Corp. Business Conduct Guidelines (Code of Ethics), which applies to all employees, including our chief executive officer and chief financial officer, is available on our website at www.gettyrealty.com.

Item 11. Executive Compensation

Information in response to this item is incorporated herein by reference to information under the heading Compensation in the Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information in response to this item is incorporated herein by reference to information under the heading Beneficial Ownership of Capital Stock and Executive Compensation Compensation Discussion and Analysis Equity Compensation Equity Compensation Plan Information in the Proxy Statement.

Item 13. Certain Relationships and Related Transactions, and Director Independence

There were no such relationships or transactions to report for the year ended December 31, 2007. Information with respect to director independence is incorporated herein by reference to information under the heading Directors Meetings, Committees and Executive Officers Independence of Directors in the Proxy Statement.

Item 14. Principal Accountant Fees and Services

Information in response to this item is incorporated herein by reference to information under the heading Ratification of Appointment of Independent Registered Public Accounting Firm in the Proxy Statement.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) 1. Financial Statements

The financial statements listed in the Index to Financial Statements and Financial Statement Schedules on page 31 are incorporated herein by reference to our Annual Report to Shareholders filed as exhibit 13 to this Annual Report on Form 10-K.

2. Financial Statement Schedules

The financial statement schedules listed in the Index to Financial Statements and Financial Statement Schedules on page 31 are filed as part of this Annual Report on Form 10-K.

3. Exhibits

The exhibits listed in the Exhibit Index are filed (or furnished, as applicable) as part of this Annual Report on Form 10-K.

GETTY REALTY CORP. INDEX TO FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES COVERED BY REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
Items 15(a) 1 & 2

All other schedules are omitted for the reason that they are either not required, not applicable, not material or the information is included in the consolidated financial statements or notes thereto.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON FINANCIAL STATEMENT SCHEDULES

To the Board of Directors of Getty Realty Corp.:

Our audits of the consolidated financial statements and of the effectiveness of internal control over financial reporting referred to in our report dated March 17, 2008 appearing in the 2007 Annual Report to Shareholders of Getty Realty Corp. (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the financial statement schedules listed in Item 15(a)(2) of this Form 10-K. In our opinion, these financial statement schedules present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ PricewaterhouseCoopers LLP

New York, New York

March 17, 2008

GETTY REALTY CORP. and SUBSIDIARIES
SCHEDULE II VALUATION and QUALIFYING ACCOUNTS and RESERVES
for the years ended December 31, 2007, 2006 and 2005
(in thousands)

	BALANCE AT BEGINNING OF YEAR	ADDITIONS	DEDUCTIONS	BALANCE AT END OF YEAR
December 31, 2007:				
Allowance for deferred rent receivable	$	$ 10,494	$	$ 10,494
Allowance for mortgages and accounts receivable	$ 30	$ 70	$	$ 100
Allowance for recoveries from state underground storage tank funds	$ 650	$	$	$ 650
December 31, 2006:				
Allowance for mortgages and accounts receivable	$ 29	$ 44	$ 43	$ 30
Allowance for recoveries from state underground storage tank funds	$ 750	$	$ 100	$ 650
December 31, 2005:				
Allowance for mortgages and accounts receivable	$ 5	$ 24	$	$ 29
Allowance for recoveries from state underground storage tank funds	$ 910	$	$ 160	$ 750

GETTY REALTY CORP. and SUBSIDIARIES
SCHEDULE III REAL ESTATE AND ACCUMULATED DEPRECIATION AND AMORTIZATION
As of December 31, 2007
(in thousands)

The summarized changes in real estate assets and accumulated depreciation are as follows:

	2007	2006	2005
Investment in real estate:			
Balance at beginning of year	$ 383,558	$ 370,495	$ 346,590
Acquisitions	94,700	15,496	29,566
Capital expenditures	1,310	42	7
Sales and condemnations	(3,464)	(1,416)	(1,434)
Lease terminations	(1,850)	(1,059)	(4,234)
Balance at end of year	$ 474,254	$ 383,558	$ 370,495
Accumulated depreciation and amortization:			
Balance at beginning of year	$ 116,089	$ 109,800	$ 106,463
Depreciation and amortization expense	9,448	7,883	8,113
Sales and condemnations	(1,222)	(535)	(542)
Lease terminations	(1,850)	(1,059)	(4,234)
Balance at end of year	$ 122,465	$ 116,089	$ 109,800

We are not aware of any material liens or encumbrances on any of our properties.

Description	Initial Cost of Leasehold or Acquisition Investment to Company (1)	Cost Capitalized Subsequent to Initial Investment (1)	Gross Amount at Which Carried at Close of Period: Land	Building and Improvements	Total	Accumulated Depreciation (2)	Date of Initial Leasehold or Acquisition Investment (1)
BROOKLYN, NY	$282,104	$301,052	$176,292	$406,864	$583,156	$352,988	1967
JAMAICA, NY	12,000	295,750	12,000	295,750	307,750	189532	1970
REGO PARK, NY	33,745	281,380	23,000	292,125	315,125	224156	1974
BROOKLYN, NY	74,808	125,120	30,694	169,234	199,928	163758	1967
BRONX, NY	60,000	353,955	60,800	353,155	413,955	263225	1965
CORONA, NY	114,247	300,172	112,800	301,619	414,419	200844	1965
OCEANSIDE, NY	40,378	169,929	40,000	170,307	210,307	132864	1970
BLUEPOINT, NY	96,163	118,524	96,068	118,619	214,687	111594	1972
BRENTWOOD, NY	253,058	84,485	125,000	212,543	337,543	197754	1968
BAY SHORE, NY	47,685	289,972	0	337,657	337,657	336010	1969
PELHAM MANOR, NY	127,304	85,087	75,800	136,591	212,391	122652	1972
BRONX, NY	0	293,507	0	293,507	293,507	197611	1972

BROOKLYN, NY	0	365,767	0	365,767	365,767	305736	1970
POUGHKEEPSIE, NY	32,885	168,354	35,904	165,335	201,239	156235	1971
CARMEL, NY	20,419	158,943	20,750	158,612	179,362	153394	1970
KINGSTON, NY	68,341	115,961	44,379	139,923	184,302	135524	1971
WAPPINGERS FALLS, NY	114,185	159,162	111,785	161,562	273,347	151379	1971
STONY POINT, NY	59,329	203,448	55,800	206,977	262,777	197509	1971
KINGSTON, NY	29,010	159,986	12,721	176,275	188,996	165916	1972
POUGHKEEPSIE, NY	63,030	158,415	26,226	195,219	221,445	194104	1972
LAGRANGEVILLE, NY	129,133	101,140	64,626	165,647	230,273	163468	1972
BRONX, NY	128,419	221,197	100,681	248,935	349,616	189533	1972
STATEN ISLAND, NY	40,598	256,262	26,050	270,810	296,860	188355	1973
BRONX, NY	141,322	141,909	86,800	196,431	283,231	182594	1972
NEW YORK, NY	125,923	168,772	78,125	216,570	294,695	212886	1972
MIDDLE VILLAGE, NY	130,684	73,741	89,960	114,465	204,425	106289	1972
LONG ISLAND CITY, NY	90,895	91,386	60,030	122,251	182,281	112658	1972
BROOKLYN, NY	100,000	254,503	66,890	287,613	354,503	229875	1972
BROOKLYN, NY	135,693	91,946	100,035	127,604	227,639	104243	1972
BROOKLYN, NY	147,795	228,379	103,815	272,359	376,174	224133	1972
STATEN ISLAND, NY	101,033	371,591	75,650	396,974	472,624	262582	1972
STATEN ISLAND, NY	25,000	351,829	0	376,829	376,829	253858	1972
BRONX, NY	543,833	693,438	473,695	763,576	1,237,271	746143	1970

Description	Initial Cost of Leasehold or Acquisition Investment to Company (1)	Cost Capitalized Subsequent to Initial Investment (1)	Gross Amount at Which Carried at Close of Period			Accumulated Depreciation (2)	Date of Initial Leasehold or Acquisition Investment (1)
			Land	Building and Improvements	Total		